

Steve Read, Director of Environment and Public Protection

February 2022

Award of Demand Side Response Management contract for Halewick Lane Battery Storage site and Westhampnett Solar and Battery Farm

Report by Daire Casey – Energy Services Manager

Electoral divisions: All

Summary

The appointed Demand Side Response (DSR) Management operator acts on behalf of the County Council to manage the battery storage assets, engage in the DSR markets with the National Grid, sell energy services to create revenue and support grid stability. Providers charge a management fee on any energy services.

The current contract expires on 31 March 2022. A procurement process for a new supplier has been undertaken through the Crown Commercial Services RM3824 – Heat Networks and Electricity Generation Assets (HELGA) Dynamic Purchasing System (DPS).

The proposal reflects the priorities in *Our Council Plan 2021-25*, particularly the cross-cutting theme of tackling climate change and our priorities of a sustainable and prosperous economy and making best use of resources.

Recommendation: That the Director endorses:

The award of a contract for the provision of Demand Side Response services to E-On UK Heat Ltd (E-On), for the County Council's current assets at Westhampnett and the planned battery storage at Halewick Lane. The contract is for an initial period of 3 years, with the option of extending by a further period of up to 2 years. The total value of the contract is £517,546.

Proposal

1 Background and context

- 1.1 The County Council has been engaging in the DSR Services available through the National Grid with the battery located at Westhampnett for approximately 3 years with the current provider E-On. This is a revenue making service.
- 1.2 The current contract with E-On expires on 31 March 2022 and a procurement process for a new supplier has been undertaken through the Crown Commercial Services RM3824 – Heat Networks and Electricity Generation Assets (HELGA)

DPS. This was deemed the most appropriate route to tender as it draws on a vetted pool of relevant suppliers for this specialist service.

2 Proposal details

- 2.1 WSCC currently has one active battery site which is participating in DSR at Westhampnett and has been engaging with the DSR market successfully for approximately 3 years. WSCC is currently undertaking a programme of works to build a battery storage site at Halewick Lane which will require DSR management.
- 2.2 The County Council requires a provider to work in a mutually beneficial way to enter the DSR market, selling the energy from both Westhampnett and Halewick Lane to maximise revenue from these assets while complying with National Grid Standards. WSCC also requires a provider who has the knowledge, scope and flexibility to advise on potential future sites and DSR opportunities the Council may have over the length of the contract.
- 2.3 Under the new contract WSCC aims to appoint a provider who can manage WSCC assets at Westhampnett and Halewick Lane. The successful provider will be paid a % management fee (which was quoted and fixed for the contract period in their tender response) of any revenue generated.
- 2.4 If approved, the contract will be awarded in February 2022 and the supplier will begin DSR management on the new terms from 01 April 2022.
- 2.5 The proposed contract term is for 3 years +1 year +1 year (up to 5 years total); the additional 2 years, following the initial 3 year term, may be the subject of a future key decision report.

3 Other options considered (and reasons for not proposing)

- 3.1 Do Nothing – terminate the current contract with E-On at the end of the agreed term (March 2022) and stop engaging in DSR services with the battery assets. This is not recommended as the DSR services add further value to a revenue making service. Doing nothing would miss an opportunity to support the Council's Energy Strategy and Climate Change Strategy. This approach is not recommended.
- 3.2 Extend the current contract with E-On – This is not an option as the terms of the existing contract do not provide for an extension. WSCC requires a new contract which will cover assets at both Halewick Lane and Westhampnett.

4 Consultation, engagement and advice

- 4.1 The project team worked closely with Procurement and Contract Management Services throughout this procurement. The sourcing strategy was approved at Commercial Panel on 27/09/2021
- 4.2 Legal Services reviewed the viability of using the Crown Commercial Services RM3824 – Heat Networks and Electricity Generation Assets (HELGA) DPS and provided support throughout the process.
- 4.3 Officers in the Energy Management and Sustainability teams were consulted in the drafting of the specification document and quality matters.

- 4.4 External advice has been sought through Cornwall Insight, an independent consultant specialising in Grid Services. Cornwall Insight reviewed the tender documents, quality questions and submissions to ensure quality and deliverability of the proposals.
- 4.5 The Cabinet Member for Environment and Climate Change has been consulted.

5 Finance

5.1 Revenue consequences:

The cost of providing the services is met from the income that the projects generate and has been included in the models within the approved business cases. The fee level that has been achieved is below the market analysis that was undertaken prior to the procurement and therefore has a positive impact on the net generation of income from the business cases. Further financial information is provided in a restricted (for members only) appendix to this report.

5.2 The effect of the proposal:

(a) How the proposal represents good value

- Assurance of optimisation of the battery assets
- Market leading management fees against market and other bidders

(b) Future savings/efficiencies being delivered

- Optimisation strategy targets future value from the grid e.g., emerging services from National Grid such as Dynamic Containment

(c) Human Resources, IT and Assets Impact

- The provider will manage an outstation and communications box at each site (hardware)
- The provider will need access arrangements at each site through our Operations & Maintenance provider

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
County Council reliance on provider to have a monetisation strategy – financial risk	As in the current contract, periodic independent reviews will be undertaken of the performance of the strategy against the market conditions. The provider is incentivised to maximise revenue through the % management fee formula
Site downtime - outage to batteries caused by site hardware failing could result in charges from National Grid or loss in revenue	A separate Operations & Maintenance contract is in place to monitor the site and ensure outages are dealt with.

Risk	Mitigating Action (in place or planned)
Reputational Risk - outage to batteries caused by site hardware failing could be seen as unreliable	Relationships built between DSR & Operations & Maintenance supplier to ensure assets are managed effectively. To date the site has not had any significant unplanned periods of outages
Energy market price fluctuations – recent unpredictability of energy market prices	Ensure provider is enabled to participate in all parts of the grid market to be flexible and adapt to market conditions. Monthly catch ups with supplier required by contract to review strategy & market conditions.

7 Policy alignment and compliance

Summary of implications in the proposal for the following areas of Council policy and its overarching legal responsibilities:

7.1 [Our Council Plan:](#) The recommendation supports Our Council Plan 2021-2025 priorities by:

- making the best use of resources
- supporting a sustainable and prosperous economy by assisting to position the county as a place for innovation in green energy
- assisting with the underpinning theme of Tackling Climate Change: contributing to grid stability reduces need for peak grid power generation and thereby reduces overall emissions.

Consequently, the proposal also helps to support the following outcomes:

- Outcome 3 - Maximising the productivity of our assets
- Outcome 4 – Value for money
- Outcome 5 – A sustainable economy that adapts to climate change

7.2 Legal implications - None

7.3 Equality duty and human rights assessment

- All suppliers on HELGA DPS are pre-assessed as this is a national public body framework
- Beyond this assessment no other assessment of companies has been made due to the transactional nature of the contract i.e. no physical presence on site by supplier

7.4 Climate Change and Energy Strategy: These assets, when managed for maximum productivity, will make a direct contribution towards delivering the aims of the [West Sussex County Council Energy Strategy](#). In particular the following two aims of the strategy:

- To integrate low-carbon energy generation and infrastructure into the development of West Sussex County Council assets.
- To develop the commercial provision of low-carbon energy and energy related services in West Sussex and ensure the creation and retention of jobs in the area.

7.5 Crime and Disorder_- None

7.6 Public health: Increased use of battery storage on the grid will contribute to decreasing CO₂.

7.7 Social value:

- Council Plan_- the contract KPIs are aligned to the WSCC Council Plan Priority 2, and KPI 16, to ensure procurement opportunities maximise the use of local suppliers and supply chains where possible.
- This was reinforced by consultation with the strategic procurement manager to identify suitable KPIs for this contract regarding social value to embed these throughout the contract
- The identified KPI metrics assess use of local contractors, provision of opportunities for vulnerable or disabled individuals within company, use of local supply chain and local SMEs
- This is largely a transactional contract, so the scope of social value is relatively limited.

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Appendices –

Appendix A Restricted – for Members only and not for publication by virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972.

Background papers –

None